

file

NOT FOR PUBLICATION

before 00.30 hours (B.S.T.) Friday, 5th July, 1968

Group Publicity Department, Reed House, 82 Piccadilly, London, W.1. 01-499 4020



Reed Paper Group Limited
Annual Report
Year ended
31 March 1968

Notice of meeting

Notice is hereby given that the Sixty-Fifth Annual General Meeting of the Company will be held at Reed House, 82 Piccadilly, London, W.1, on Wednesday, 31 July 1968 at 12 noon,

To receive the Directors' Report, the Accounts for the year ended 31 March 1968 and the Auditors' Report.

To declare a Dividend.

To re-elect Directors.

To authorise the Directors to fix the remuneration of the Auditors.

And, as Special Business,

To consider and if thought fit to pass the following as a Special Resolution:

RESOLUTION

That the Articles of Association of the Company be amended by:—

1. deleting from Article 17 the words 'in the case of any certificates which have been approved for sealing by the Auditors, Transfer Auditors or Bankers of the Company'
2. inserting in Article 38 after the words 'on behalf of the transferor and' the words '(except in the case of a fully paid share) by or on behalf of the'

A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and, on a poll, vote in his place. Such proxy need not be a member of the Company.

By Order of the Board
J. R. V. Forster, Secretary

Reed House, 82 Piccadilly, London, W.1.

1 July 1968

Preference Shareholders are reminded that, under the Articles of Association of the Company, they are not entitled to attend or vote at this meeting.

The final dividend will be payable to Ordinary Shareholders registered in the books of the Company on 19 June 1968.

In accordance with the General Undertaking which the Company has given to the Stock Exchange, London, the following information will be available for inspection at the Registered Office of the Company, Reed House, 82 Piccadilly, London, W.1, during usual business hours (Saturdays excluded) from the date of the Notice until the conclusion of the Meeting.

1. A Statement of transactions of Directors (and of their family interests) in the equity share capital of the Company and any of its subsidiaries.
2. A Statement in respect of Contracts of Service of the Directors with the Company or any of its subsidiaries.

Finance Act, 1965

The Company is not a 'close company' within the meaning of this Act.

The market values of the Company's stocks and shares at 6 April, 1965, for the purposes of the long term capital gains tax were:

Ordinary Shares	51s 6d
4½% Cumulative Redeemable Preference Shares	12s 9d
5½% Cumulative Redeemable Preference Shares	15s 9d
3½% First Mortgage Debenture Stock 1956/91	72½
4½% Debenture Stock 1979/84	80
6% Debenture Stock 1979/84	91
6½% Debenture Stock 1987/92	100

Directors' Report

Directors

The composition of the Board of Directors at the date of this Report is as follows:

S. T. Ryder, Chairman and Managing Director
 P. H. Sykes, Deputy Managing Director
 W. F. Amies
 C. H. Austin
 T. E. G. Baker
 H. W. Broad
 R. N. Burnham
 G. H. Cartwright
 R. F. Inch
 Cecil H. King
 K. J. Procter
 F. J. Rogers
 J. H. Smeddle
 W. E. Soles
 G. S. G. Witherington

Mr. S. T. Ryder was elected Chairman on 4 June 1968 following the resignation of Mr. Cecil H. King from this appointment.

Mr. R. W. T. Suffern and Sir Richard E. Yeabsley retired from the Board on 26 July 1967.

Mr. K. J. Procter, Managing Director of Reed Corrugated Cases Ltd., one of the major subsidiary companies, was appointed a Director on 6 November 1967. In accordance with the Articles of Association he offers himself for re-election at the forthcoming Annual General Meeting.

The Directors retiring by rotation in accordance with the Articles of Association are Mr. G. S. G. Witherington, Mr. W. F. Amies, Mr. F. J. Rogers and Mr. H. W. Broad, who also offer themselves for re-election.

Secretary

J. R. V. Forster

Head Office and Registered Office

Reed House, 82 Piccadilly, London, W.1.

Transfer Offices

Tudor Registrars Ltd., 29 London Road, Bromley, Kent.
 Montreal Trust Company, 777 Dorchester Blvd., Montreal 2.

Auditors

J. H. Champness, Corderoy, Beesly & Co.
 Chartered Accountants.

Principal Activities of the Group

The Reed Paper Group is an international organisation based in the United Kingdom, having world-wide interests and investments and employing some 52,000 people.

The Group had its origin over 70 years ago as a paper making company. Although a high proportion of its business is still associated with paper and board, its activities have become both vertically integrated and widely diversified and are now grouped into the three main sections of Paper & Board, Packaging, and Building & Decorative Products.

United Kingdom

The operations of Reed Paper & Board (U.K.) Ltd. are amongst the largest of their kind in the United Kingdom and cover a wide range of papers and boards. These are marketed by Reed Paper & Board Sales Ltd., the Spicers' Mill Agency Division and the merchanting organisation of Spicer-Cowan Ltd.

Spicers Ltd. has significant stationery manufacturing interests in the U.K. in addition to its world-wide paper merchanting operations.

The Group is also a major producer of paper based packaging through Reed Corrugated Cases Ltd., Field, Sons & Co. Ltd. carton manufacturers, and Reed Medway Sacks Ltd., each a leader in its own field.

The Wall Paper Manufacturers' group of companies makes a major proportion of Britain's wallpaper, which is sold under the Crown, Mitre, Sanderson and Shand Kydd names, as well as Crown, Walpamur, Duradio and Hadrian paints and other decorative products. This group also produces Sanderson and Rosebank furnishing fabrics and the Polycell 'do-it-yourself' range of products. A significant proportion of these decorative products is sold through the 750 showrooms and shops of Sanderson, Walpamur Distributors, John Line and Wall Paper Stores. Other important interests in the building products field include pitch fibre pipe and plastic rain water systems made by Key Terrain Ltd. and L. & P. Plastics Ltd.

Overseas

The Group's principal overseas interests are located in Canada and Australia but, in addition, it has companies operating in many other countries.

The Anglo-Canadian group has major enterprises in the pulp and paper industry as well as in chemical and packaging plants, and the Canadian Wallpaper Manufacturers Ltd. has considerable wallpaper and paint operations. The Group holds a substantial investment in the paper and pulp producing companies of Prince George Pulp & Paper Ltd. and Intercontinental Pulp Company Ltd. in British Columbia.

In Australia, the Group's activities include a wide range of paper and packaging products as well as paint, wall coverings and fabrics and in South Africa the Group has similar operations, although currently on a smaller scale.

Accounts

The Balance Sheet of the Company and the Group Balance Sheet as at 31 March 1968 together with the Group Profit and Loss Account for the year ended on that date, are attached.

The Directors recommend payment on 7 August 1968 of a final dividend on the Ordinary Shares of 7½%, which together with the interim dividend of 5% paid on 8 January 1968 make a total of 12½% for the year, which is the same as for the previous year. The retained profit for the year has been added to reserves.

Articles of Association

Members will see set out as Special Business in the Notice of the Annual General Meeting a resolution making two small modifications to the Articles of Association. The deletion of the last clause of Article 17 will enable the sealing of share and stock certificates to be undertaken as an integral part of the registration procedure which it is intended shall be dealt with by computer.

The modification to Article 38 will bring this regulation into line with the Stock Transfer Act 1963 which dispenses with the requirement for a transferee to execute a form of transfer of fully paid securities.

Directors' Interests in Share and Loan Capital

	Reed £1 Ordinary Shares	Other share and loan capital of Reed and subsidiaries 1967 and 1968
	31 March 1968	1 April 1967
S. T. Ryder	2,100	2,100
P. H. Sykes	105	105
W. F. Amies	30	30
C. H. Austin	3,907	3,907
	*102,500	*102,500
T. E. G. Baker	358	358
H.W. Broad	500	30
R. N. Burnham	22,282	22,282
G. H. Cartwright	83	83
R. F. Inch	8,000	6,000
	*219,232	*225,000
Cecil H. King	1,118	1,118
K. J. Procter	*492	*832
F. J. Rogers	100	—
J. H. Smeddle	—	—
W. E. Soles	2,500	2,500
G. S. G. Witherington	4,837	4,837
	*109,500	*109,500
		500)

*Indicates other than beneficial interest.

In addition Mr. S. T. Ryder was interested throughout the year in the following holdings as a Trustee of Pension Funds of The Wall Paper Manufacturers Ltd. (WPM):—

Reed

48,517 £1 Ordinary Shares
 £100,000 7½% Debenture Stock 1987/92
 £200,000 7½% Debenture Stock 1990/95
 £109,959 5½% Unsecured Loan Stock
 £317,522 7½% Unsecured Loan Stock

WPM

£11,410 4% First Mortgage Debenture Stock

Issue of Loan Capital

The following issues of Redeemable Unsecured Loan Stock of the Company have been made during the year:

Date	Interest Rate	Amount	Purpose
April, 1967	7½%	£529,739	Acquisition of the whole of the share capital of Briton Brush Co. Ltd.
April, 1967	5½%	£236,149	
May, 1967	7½%	£147,762	Acquisition of the whole of the share capital of B.S.T. Silks Ltd.
May, 1967	7½%	£128,449	Acquisition of the 26% of the Ordinary and second Preference shares of Rigg Holdings Ltd. not previously held

Sales and Profits

An analysis of the Group Sales and Profits between activities is given on page 20.

Exports

Goods to the value of £9.5 million have been exported by United Kingdom companies during the year.

Employees

The average number of persons employed in the United Kingdom by the Group during the year was 43,000 and the aggregate gross remuneration paid to them for the year was £39.95 million.

Charitable Contributions

During the year the Group made contributions to United Kingdom charities totalling £25,000, which includes £10,000 for educational purposes. No contributions have been made for United Kingdom political purposes.

Substantial Shareholder

Notification has been received from IPC (Group Management) Ltd. that it holds 15,168,652 Ordinary shares of £1 of the Company.

By Order of the Board

J. R. V. Forster, Secretary

Reed House, 82 Piccadilly, London, W.1.

5 June 1968

Review by the Chairman S. T. Ryder

I should like to pay tribute, on behalf of all his colleagues, to Mr. Cecil H. King who last month resigned from the Chairmanship of this Company and indicated his intention to retire from his Directorship at the end of the calendar year. His five years in office were momentous ones for the Reed Paper Group. During this period the Group has made great advances in size, organisation and profits. Mr. King was the inspiration for much of this progress and for the attention being given to finding and bringing on young talent for the future management of the Group. We shall miss greatly his encouragement and guidance.

It is therefore all the more deeply that I have felt the responsibility at being invited by my colleagues to become Chairman.

Profit and Dividends

I am pleased to be able to report to you that Group profit is £600,000 higher this year.

This simple statement expresses the outcome of many varying elements which have affected our widespread activities during the year. In the first half year we suffered a lower rate of profitability in the United Kingdom than in the preceding year, but, as we have reported in our profit statements which are now issued quarterly, the third and fourth quarters have shown a marked improvement. The consumer boom in the U.K. has benefited particularly some of our products and has contributed substantially to the profits in the second half of the year.

The Directors recommend the payment of a Final Dividend of 7½%, which together with the Interim Dividend of 5% already paid makes a total of 12½% for the year, as for the previous year.

I shall deal in greater detail below with the overseas profits which are much lower in total than for 1966/67. However, it is pertinent to explain the manner in which the effect of devaluation has been treated in these Accounts. Overseas profit arising between 1 January 1967 and 18 November 1967 has been converted at rates of exchange applicable prior to devaluation. Profit arising overseas during the six weeks following upon devaluation has been converted at post devaluation rates of exchange. Whilst, therefore, less conservative courses were open to us in reporting the profit for the year, your Board considered that no purpose would be served in increasing the sterling values of the half year overseas profit already reported.

A substantial surplus has arisen as a consequence of converting balance sheet values of overseas companies at 31 December 1967 at the post devaluation rates of exchange. This surplus is reflected in the movement of reserves.

Paper and Board

The Chairman's statement last year referred to new production capacity being built for packaging boards in the United Kingdom. In fact, the major conversion of one of our large machines was completed in the second half of 1967. The test jute liner made on this machine is based on the re-use of specially sorted wastepapers and a product of high quality is now being produced at rates in excess of our expectations. This machine gives us a greater potential for import savings through the availability of a first-class product competitive with imported materials.

During the year we decided with regret that the London Paper Mill at Dartford had become uneconomic under modern

conditions and it was closed at 1 April 1968. This Mill was nearly 50 years old and has served the Group well in the past. Many of its employees and much of its production have been transferred to other mills in the Group.

At our Board Mill at Colthrop we have successfully completed the modification of a machine to produce coated board which further expands the range of qualities available to our customers.

The development of our paper merchanting activities has progressed further under Spicers during the year despite the intense competition and pressure upon profit margins. In particular the Cowan merchanting operations have been merged with Spicers in a new company, Spicer-Cowan Ltd, to provide a more comprehensive distribution service to customers both geographically and in product range. This company has recently become a part of our Paper and Board Division so that all our paper and board manufacturing and distribution operations are concentrated under a unified command.

The press has reported the successful conclusion of negotiations with the Industrial Reorganisation Corporation to finance further de-inking projects. We have for some time been operating and further developing the process for removing the ink from over-issue and used newspapers to produce pulp suitable again for newsprint manufacture. The case for the increased operations as an import saver is incontrovertible, so that the projects at Imperial and Aylesford Paper Mills for the extension of de-inking activity were most appropriate for a loan of £1.5 million from IRC. These projects are to be spread over nearly two years and are expected to be completed by the end of 1969. I welcome the opportunity to pay tribute to the exhaustive manner in which IRC examined these projects which I am certain will fully justify their confidence in them.

Continuous efforts to improve our productivity and efficiency are being made throughout our paper and board making activities but I regret to say that the profit improvement derived therefrom is continually being mitigated by the intensely competitive tactics being employed in the U.K. market by overseas producers. It is clear that it is their intention to capture increased shares in our market, particularly since devaluation, in a manner which in some cases I regard as nothing short of dumping and the resultant increase in the nation's import bill is substantial. In these circumstances the maintaining of profit levels necessitates the utmost marketing and production efforts but I am confident that the steps which we have recently taken in reorganising the structure of this Division will help us greatly to achieve this objective.

Packaging and Converting

The U.K. Packaging activities have continued to grow and prosper. This successful outcome arose in part from the boom in consumer spending, but has also been partly due to our build-up in customer service, to our improved designs and to our constantly increased efficiencies and productivity.

Reed Corrugated Cases achieved a good performance during the period. The new branches opened in recent years have been rapidly developing their capacities to keep pace with the demands generated by a very keen sales force. All the other branches have set and attained output records and higher standards of product and so contributed to the overall company performance. Certain branches won Starpack

Awards including the only Gold Star given for corrugated cases. Expansion has taken place both at Coatbridge (Scotland) and Warrenpoint (Northern Ireland).

Fields, the Carton Division of Reed, has increased its sales and maintained its profit. It continues to lead the market in design and quality from its factories at Bradford, Killingworth (Northumberland) and Thatcham (Berks).

Reed Medway Sacks has improved its turnover and profit. This result has been achieved by constant search for new applications for our products and unceasing attention to customer service and manufacturing excellence.

We have not, however, disregarded plastic sacks and other film products which have been produced on an increasing scale by Reed Polyfilms, but so far this company has not become profitable.

The overall profit of the converting operations of Spicers was appreciably in excess of last year's. This improvement was most marked in the Stationery division, which in August 1967 absorbed the operations of Alex. Cowan.

Decorative and Building Products

This year has been the more favourable of the two-year wallpaper cycle and it has benefited additionally from the widespread success of our new designs, epitomised in the 'Scene' collection. During the year we have launched 'Cleenstrip', the first strippable wallpaper on the market, with considerable success. We feel that further developments are possible in the field of strippable wallpapers and to this end we have entered into a pooling of patents and know-how with J. & J. Makin Ltd. in a joint company called Reed Makin Projects Ltd.

Two years ago we decided to change the name of our various paint brands to 'Crown' and during the past year we have launched 'Crown Plus Two', the first thixotropic polyurethane paint on the market. Sales have been gradually extended throughout the country during this year; it has been an outstanding success and has assisted in securing a wider distribution of Crown paints generally. Further developments in the paint field are in hand and it is clear that our marketing strategy and the introduction of new products have combined to establish the name 'Crown' as a leading paint brand, as well as one which stands for quality and reliability in wall-coverings. We have also launched a range of 'Crown Decorative Sundries', thus still further extending the use of the Crown name. The last two years have involved very heavy expense in promoting and establishing Crown paint and we have yet to see the benefit in higher profit in the paint field. Polycell has met heavy competition this year in some of its older established products and this has involved additional promotional expenditure. We have, however, continued to extend the range of ceramic tiles and of other products and are now launching a range of ceramic mosaics. The perpetual striving for new products, which characterises this enterprising business, has borne fruit this year in the formation of Polycell Prout Ltd. to market dinghies.

Our Building Products Division has made considerable progress in establishing the Key Terrain plastics drainage systems on a broad basis throughout the country, supported by a series of regional depots; rapidly growing sales indicate that these systems are now obtaining recognition for their

outstanding quality. With increasing sales of pitch fibre pipe and a growing diversification in the plastic field, we have great hopes of this Division as one of the most promising in the Group.

During the year we established a Merchant and Retail Division to take charge of our widespread interests in merchanting and retailing wallpaper and paint and the management of the new Division is proceeding energetically with the streamlining of our very extensive wholesale businesses.

The whole of our activities in Decorative and Building Products is now organised under The Wall Paper Manufacturers Ltd. and the extensive re-organisation which has taken place during the last three years has resulted in the promotion of young and vigorous executives to senior positions. I look forward to improved results from their efforts in the future.

Overseas

The consolidated profit of the overseas companies of the Group is for the year ended 31 December 1967 and does not include our share of initial losses of Prince George Pulp and Paper. This company is 50% owned and consequently is not a subsidiary so that only dividends and interest will fall to be included as they arise. The details are, therefore, shown in the Balance Sheet Notes on Trade Investments. Needless to say, we have undiminished confidence in the Prince George Mill and do not consider it necessary to make any reserves against the losses to date, especially as other unquoted trade investments are highly profitable and worth considerably more than their book value.

Anglo-Canadian Pulp and Paper Mills has had a very poor year in 1967, its profit being some 55% of that for the previous year. The causes of this fall in profit are common to the industry in Canada and well known generally, being the very substantial oversupply situation in pulp and newsprint due to massive new capacity coming into production. These conditions result in increased costs having to be borne in times of depressed prices. This situation will gradually but slowly improve with growing demand and the closure of uneconomic mills. The labour situation gives cause for anxiety with substantial wage demands which the industry cannot afford.

As announced at the last Annual General Meeting we decided to close down Gulf Pulp and Paper Co. at Clarke City, Quebec. This decision was arrived at with great regret despite some years of difficult trading. However, unyielding labour demands accompanied by strike action made this inevitable. The closure has now been effected. The estimated capital losses arising have been deducted from reserves and the details shown in the Balance Sheet Notes.

Canadian Wallpaper Manufacturers continued to make progress in wallpaper and paint, but during the year we have disposed of the fabric jobbing business of J. H. Thorp and Co. in New York, which was unprofitable; the loss on the sale has been deducted from the reserves.

Sande Paper Mill in Norway has performed well in production and sales in difficult market conditions. It is most unfortunate that in these circumstances prices have been so low and interest rates so high that its final result for the year was a loss. The swinging price cutting actions of certain countries in the semi-chemical fluting market are difficult to comprehend.

hend by commercial standards, when they result in losses to the most modern well-run and efficient mills.

Spicers overseas and export activities have produced more than a 20% increase in sales and profit.

The progress of the Australian group of companies has been extremely gratifying with profits of over £1 million being some one-third higher than for 1966. These results reflect expanded capacities and improved productivity in packaging and stationery as well as increased sales in all divisions. To fund some of the consequently increased bank overdraft and to finance further intended developments a Debenture issue of A\$3 million was made in Australia by Reed Consolidated Industries during April 1968.

Trade Investments

I have already referred to the accounting treatment of our trade investments.

Prince George Mill is still solving some technical problems arising from winter severity and other local conditions. It has also fared worse than could reasonably be forecast because of the low world prices for pulp and severe price competition for paper and accordingly is not now expected to be making a profit as soon as had been indicated.

The construction of the Intercontinental Pulp Mill has proceeded well and within budget. Production started in May, two months ahead of original schedule.

We regard these two projects in British Columbia so highly that with the start up of the Intercontinental Mill we have agreed with our partners to the appointment of Mr. W. F. Amies, one of our Parent Company Directors, as full time President and Chief Executive of the Prince George and Intercontinental Companies. He has now taken up his responsibilities in British Columbia and has relinquished his former appointment of Managing Director of Reed Paper and Board (U.K.). Responsibility for this U.K. company has been taken by Mr. G. S. G. Witherington, formerly Joint Managing Director of Spicers.

The profit of Tasman Pulp and Paper Company and of Kimberly-Clark have both increased as have the dividends received from those sources.

As you will realise the search for expansion into profitable investments on your behalf is unending both at home and overseas. As a result we are now preparing to participate in a South African enterprise which is trading successfully in the high quality carton market. This will form a natural technical combination with Fields and Reed Corrugated Cases in the United Kingdom.

Personnel

Mr. K. J. Procter was appointed to the Board during the year. Mr. Procter is Managing Director of Reed Corrugated Cases, a very substantial element in our packaging activities.

A number of senior appointments has arisen through retirements in our principal subsidiary companies during the year. To those who have retired I am grateful for their sterling contribution to the Group and I am proud of the men we have been able to promote from within to fill their places.

During the year we have continued our programme in education

and training of employees at every level. Where mastery of the technicalities of a craft or trade is important we have concentrated on improving the quality of our instruction. In the case of managers our efforts are being directed towards early identification of talent.

The task of making the best use of human resources is, by its nature, a long term one. We think it is best carried out by the direct involvement of top management who must make a point of knowing those who are rated to have potential wherever they may be. Another influence on the development of managers is the character of the organisation in which they work. Here we are constantly striving to improve its structure in order to provide the maximum number of jobs in which individuals can exercise their capabilities to the full.

Shareholders will, I am sure, wish to join members of the Board in thanking all the employees of the Group for their efforts during the past year.

Future Prospects

The current year poses even more problems than existed at this time last year, so that prophecies would be dangerous. It is probable that for some time to come forecasting will be beset in this manner especially in your Company where the interests spread to many lands. These reasons underlay in part the decision to report results to you promptly each quarter.

Whilst, therefore, a firm indication of future profits is not feasible, there is no lack of planning for our own future. Nor is there any lack of resolve to tackle the problems which we face, both those all too numerous burdens which result from additional taxes, levies and regulations and also those which arise from the international monetary situation.

The economic climates of the countries in which we trade must naturally dictate the framework within which we must strive. Their uncertainties, not only in the United Kingdom, but in Europe, North America and the Far East are all so well known that I need not repeat them. Stability must be achieved if the confidence needed for healthy trading is to ensue. Without this, wise and successful investment must be bedevilled.

Given reasonably stable conditions the Reed Group, which is active in all these areas, is in a sound position to advance strongly. Developments in organisation, management, marketing, innovation, raw material resources, geographical spread and product diversity justify me in taking a confident outlook in difficult times.

Group profit and loss account

Year ended 31 March 1968

	Notes	1968 £'000	1967 £'000
Sales, excluding inter-company sales		249,523	240,418
U.K. companies		172,432	168,932
Overseas companies		77,091	71,486
Profit before depreciation		28,860	27,939
Depreciation		8,853	8,438
Trading Profit		20,007	19,501
Income from investments	A	868	815
		<hr/>	<hr/>
Interest on loans		20,875	20,316
Long term loans		5,255	4,912
Bank advances and loans wholly repayable within 5 years		1,446	1,852
		<hr/>	<hr/>
Profit before taxation		6,701	6,764
U.K. companies		10,027	7,728
Overseas companies		4,147	5,824
		<hr/>	<hr/>
	B	14,174	13,552
Taxation on the profit for the year		6,561	5,969
Profit after taxation		7,613	7,583
Outside interests in profit of subsidiaries		545	567
Profit attributable to members of the Parent Company		7,068	7,016
Dividends paid and proposed		18,376,000	18,241,600
Gross			
Preference		223	219
Ordinary			
Interim 5%		2,695	
Final 7½%		4,042	
12½% (1967 12½%)		<hr/>	<hr/>
		6,737	6,737
Less		6,960	6,956
Income tax deducted and retained		<hr/>	<hr/>
Profit for the year retained		108	161
		<hr/>	<hr/>

Notes on Group profit and loss account

	1968 £'000	1967 £'000
A. Income from investments		
Trade Quoted	37	37
Unquoted	729	498
Other Quoted	—	—
	766	535
	102	280
	—	—
	868	815
B. Taxation on the profit for the year		
United Kingdom Corporation tax at 42½% (1967 40%)	4,389	3,257
Less: Double taxation relief	312	466
Overseas tax	—	—
	4,077	2,791
	2,484	3,178
Total	—	—
	6,561	5,969
This total includes deferred taxation due to accelerated capital allowances of	811	636
C. Auditors remuneration	—	—
Hire of plant and equipment	180	159
D. Profit dealt with in the accounts of the Parent Company	—	—
In respect of the current year	5,966	3,192
In respect of previous years	7,371	1,216
	—	—
	13,337	4,408
E. Emoluments of the directors of the Parent Company	—	—
Fees	15	18
Other emoluments	196	147
	—	—
	211	165
The major proportion of the increase in the Directors' emoluments arises from the variation in membership of the Board with the appointment of a further three full-time executive directors as against the retirement during the year of two non-executive directors.		
10 (1967, 6) directors have waived fees amounting to £9,400 (1967 £5,085)		
Pensions for services as former directors	4	4
The number of directors, some of whom served on the Board for only part of a year, in each range of emoluments (excluding pension contributions) was as follows:—		
The Chairman during the year	£5,000	£5,000
Other Directors	Number	Number
Below £2,501	4	4
£2,501– £5,000	1	1
£7,501–£10,000	—	3
£10,001–£12,500	5	2
£12,501–£15,000	3	1
£17,501–£20,000	1	2
£25,001–£27,500 (Highest paid U.K. director £25,146, 1967 £19,016)	1	—
£35,001–£37,500	—	1
£37,501–£40,000 (Highest paid overseas director £38,493, 1967 £36,382)	1	—
F. Conversion of profits and losses of overseas currencies into sterling		
Amounts arising prior to sterling devaluation have been converted at average rates applicable up to that date. Amounts subsequent to sterling devaluation have been converted at average rates since that date.		

Group balance sheet 31 March 1968

	Notes	1968 £'000	1967 £'000
Fixed assets			
Properties and plant	1		
At cost or valuation		220,653	211,394
Accumulated depreciation		92,313	83,907
		<u>128,340</u>	<u>127,487</u>
Trade investments	3		
At cost		12,937	10,401
		<u>141,277</u>	<u>137,888</u>
Subsidiary companies			
Excess of cost of shares over net book amount of assets at date of acquisition		64,674	64,530
Current assets			
Stocks	4	59,780	54,251
Debtors		61,371	51,830
Quoted investments (market value £1,120,000, 1967 £957,000)		1,116	947
Bank balances		3,860	5,719
		<u>126,127</u>	<u>112,747</u>
Current liabilities			
Bank advances: secured		2,297	1,081
unsecured		21,029	23,583
Bills payable and acceptance credits		7,216	5,406
Creditors		31,625	23,818
Taxation	2	7,680	6,672
Dividends		4,114	4,114
		<u>73,961</u>	<u>64,674</u>
		<u>52,166</u>	<u>48,073</u>
		<u>258,117</u>	<u>250,491</u>
Financed by:			
Share capital and reserves attributable to members of the Parent Company			
Share capital	6		
Preference		4,069	4,069
Ordinary		53,893	53,893
		<u>57,962</u>	<u>57,962</u>
Share premium account	7	70,751	70,757
Reserves including retained profit	8	28,758	26,282
		<u>157,471</u>	<u>155,001</u>
Outside shareholders' interests in subsidiaries		9,202	8,114
Debenture stocks and loans	9	84,467	81,789
Deferred taxation	2	6,977	5,587
		<u>258,117</u>	<u>250,491</u>
S. T. Ryder } H. W. Broad } Directors			

The notes are on pages 12 to 17

Parent Company balance sheet 31 March 1968

	Notes	1968 £'000	1967 £'000
Fixed assets			
Properties and plant	1		
At cost or valuation		31,063	25,713
Accumulated depreciation		12,808	10,289
		<hr/> 18,255	<hr/> 15,424
Trade investments	3		
At cost		2,792	2,752
		<hr/> 21,047	<hr/> 18,176
Subsidiary companies			
Shares at cost		115,750	129,484
Advances and current accounts	10	79,005	59,871
		<hr/> 194,755	<hr/> 189,355
Current assets			
Stocks	4	5,602	4,734
Debtors		2,227	2,132
Bank balances		—	446
		<hr/> 7,829	<hr/> 7,312
		<hr/> 223,631	<hr/> 214,843
Current liabilities			
Bank advances: unsecured		12,855	16,273
Bills payable and acceptance credits		6,795	5,000
Creditors		7,335	4,554
Taxation	2	665	532
Dividends		4,114	4,114
		<hr/> 31,764	<hr/> 30,473
		<hr/> 191,867	<hr/> 184,370
Financed by:			
Share capital and reserves			
Share capital	6		
Preference		4,069	4,069
Ordinary		53,893	53,893
		<hr/> 57,962	<hr/> 57,962
Share premium account	7	70,751	70,757
Reserves including retained profit	8	17,615	12,445
		<hr/> 146,328	<hr/> 141,164
Debenture stocks and loans	9	43,955	42,211
Deferred taxation	2	1,584	995
		<hr/> 191,867	<hr/> 184,370

S. T. Ryder } Directors
H. W. Broad }

The notes are on pages 12 to 17

Notes on the balance sheets

£'000

	Timber limits	Land & buildings	Plant & equip- ment	Total
Group	Cost or valuation	Cost or valuation	Cost	
1 Properties and plant				
Cost or valuation				
At 31 March 1967	2,709	80,906	127,779	211,394
Additions	129	1,719	8,090	9,938
Held by new subsidiaries on acquisition	—	248	580	828
Adjustment on sterling devaluation	461	3,146	7,033	10,640
Disposals	(472)	(6,140)	(5,535)	(12,147)
At 31 March 1968	<u>2,827</u>	<u>79,879</u>	<u>137,947</u>	<u>220,653</u>
Accumulated depreciation				
At 31 March 1967	1,580	16,987	65,340	83,907
Charge to Profit and Loss Account	41	1,225	7,587	8,853
Accumulated by new subsidiaries prior to acquisition	—	66	387	453
Adjustment on sterling devaluation	263	1,539	4,170	5,972
Provided on disposals	(472)	(2,703)	(3,697)	(6,872)
At 31 March 1968	<u>1,412</u>	<u>17,114</u>	<u>73,787</u>	<u>92,313</u>
Net values 31 March 1968	<u>1,415</u>	<u>62,765</u>	<u>64,160</u>	<u>128,340</u>
Net values 31 March 1967	<u>1,129</u>	<u>63,919</u>	<u>62,439</u>	<u>127,487</u>
Parent Company			Cost or valuation	Cost
Cost or valuation				
At 31 March 1967			6,406	19,307
Additions			22	769
Transfers from subsidiary companies			974	3,832
Disposals			(136)	(111)
At 31 March 1968			<u>7,266</u>	<u>23,797</u>
Accumulated depreciation				
At 31 March 1967			1,331	8,958
Charge to Profit and Loss Account			158	1,046
Transfers from subsidiary companies			81	1,322
Provided on disposals			(1)	(87)
At 31 March 1968			<u>1,569</u>	<u>11,239</u>
Net values 31 March 1968			<u>5,697</u>	<u>12,558</u>
Net values 31 March 1967			<u>5,075</u>	<u>10,349</u>

£'000

1 Properties and plant (cont'd.)**Land and buildings at 31 March 1968 comprise:**

	Group Cost or Valuation	Parent Cost or Valuation
Freehold property	72,652	6,739
Leasehold property		
50 years or more unexpired	6,055	368
Less than 50 years unexpired	1,172	159
	79,879	7,266

These sums include valuations made:

1952/1962	1,270	
1963	1,350	
1964	28,787	361
1966	192	
	31,599	361

Timber limits at 31 March 1968 of £2,827,000 include £859,000 at valuation in 1920.**The cost of plant is stated after deduction of investment grants receivable. The grants for the year are Group £1.2 million (Parent £0.2 million).****No depreciation has been provided on land or on certain commercial properties which are freehold or leasehold with 900 years unexpired (at cost or valuation £16.9 million). For all other properties and plant, depreciation has been provided on a basis that will write off the book value of these assets within their expected life.****Future capital expenditure not provided in the accounts**

	Group 1968	Parent 1967
Contracts placed	2,976	165
Authorised by directors but no contracts placed	5,488	1,012
	8,464	1,177
After deducting U.K. investment grants of	1,067	311
1967		
Contracts placed	2,994	490
after deducting U.K. investment grants of	548	143

2 Taxation

	Group 1968	Group 1967	Parent 1968	Parent 1967
Amounts payable				
before 1 January 1969	3,267	4,098	—	420
on or after 1 January 1969	4,413	2,574	665	112
	7,680	6,672	665	532

Deferred taxation represents the deferred liability due to accelerated capital allowances.**The undistributed profit of overseas subsidiaries would be liable to further taxation if distributed.**

£'000

3 Trade investments	Cost Group	31 March 1968 Parent	Gross income receivable by Group for year	Group share of profit and loss			Based on accounts year to
				Latest year Before tax	After tax	Cumulative retained profits	
Prince George Pulp & Paper Ltd.							
Canada							
Equity (50% held by Group)	1,923			Loss (1,300)	Loss (1,300)	Loss (2,717)	
Loans	4,231		157				28 Dec. 1967
	<u>6,154</u>						
Intercontinental Pulp Co. Ltd.							
Canada							
Equity (37½% held by Group)	1,154						Not commenced trading at
Loans	1,731		99				31 March 1968
	<u>2,885</u>						
Tasman Pulp & Paper Co. Ltd.							
New Zealand							
Equity (19% held by Group) (includes £223,000 quoted in New Zealand, Market value £651,000)	1,718	1,718	195	560	337	640	31 Oct. 1967
Kimberly-Clark Ltd.							
U.K.							
Equity (33⅓% held by Group)	835	835	199	287	167	1,004	30 Apr. 1967
	<u>11,592</u>	<u>2,553</u>	<u>650</u>	<u>(453)</u>	<u>(796)</u>	<u>(1,073)</u>	
Miscellaneous							
Quoted (Market value £291,000)	262	—	17				
Unquoted (Directors' valuation, Group £1,381,000, Parent £239,000)	1,083	239	99				
	<u>12,937</u>	<u>2,792</u>	<u>766</u>				
Quoted	485	223					
Unquoted	<u>12,452</u>	<u>2,569</u>					

As the directors are confident of the long term value of the investment in Prince George Pulp & Paper Ltd., no provision has been made for the initial operating loss.

Prince George Pulp & Paper Ltd. (PG) has issued U.S. \$25 million and Can. \$30 million Mortgage Bonds. Intercontinental Pulp Co. Ltd. (IP) has issued U.S. \$36.5 million and Can. \$13.5 million Mortgage Bonds. The principal, premium (if any) and interest in respect of these Bonds have been guaranteed jointly and severally by the Parent Company and a wholly-owned Canadian subsidiary and by Canadian Forest Products Ltd. (CFP). CFP hold an equity interest in PG of 50% and in IP of 37½%.

The subsidiary and CFP have also jointly and severally undertaken to ensure that adequate finance will be available for the construction and bringing into operation of the mills of PG and IP. In the case of IP, this undertaking is limited to 75% of the finance required as Feldmuhle AG, which holds 25% of the equity of IP, has given an undertaking regarding the balance.

In relation to miscellaneous trade investments the Parent Company has given guarantees, including a bank borrowing of £0.8 million.

4 Stocks

The amounts included for stocks have been determined on bases and by methods of computation which have been applied consistently and which are considered appropriate in the circumstances of the business of each Group company.

5 Basis of conversion of overseas currencies into sterling**Intangible assets as at date of acquisition****Assets and liabilities—rates ruling at 31 March 1968****6 Share capital**

	1968 Authorised	1967 Issued	1967 Issued
Preference shares (cumulative) of £1 each			
Redeemable at the option of the Parent Company			
4½%: redeemable at 21/- to 30 September 1969, at 20/6 during			
5 years to 30 September 1974 and at par thereafter	1,500	1,500	1,500
5½%: redeemable after 1975 at par	1,200	1,200	1,200
Irredeemable			
5%	318	318	318
7%	1,051	1,051	1,051
Ordinary shares of £1 each	<hr/>	<hr/>	<hr/>
Unclassified shares of £1 each	4,069	4,069	4,069
	53,893	53,893	53,893
	4,863	—	—
	<hr/>	<hr/>	<hr/>
	62,825	57,962	57,962
	<hr/>	<hr/>	<hr/>

Group Parent

7 Share premium account

At 31 March 1967	70,757	70,757
Loan issue expenses including stamp duty	(6)	(6)
At 31 March 1968	<hr/>	<hr/>

8 Reserves including retained profit

At 31 March 1967	27,677	12,445
Profit for the year retained	108	5,938
Taxation provision in earlier years no longer required	724	122
Provision for loss on closure and disposal of assets		
Gulf Pulp and Paper Co.	(2,131)	
Other operations	(422)	(155)
Provision for additional deferred taxation consequent upon increased rate of U.K. Corporation tax	(292)	(80)
Adjustment arising from sterling devaluation	164	(687)
Profit on disposal of fixed assets	109	
Debenture redemption discount	34	32
Change in composition of subsidiaries	29	
At 31 March 1968	<hr/>	<hr/>
Exchange conversion account (1967 Debit £1,395,000)	26,000	17,615
	2,758	
Reserves at 31 March 1968	<hr/>	<hr/>
	28,758	17,615

£'000

9 Debenture stocks and loans

	Sinking fund or redemption requirements	1968	1967
Parent Company			
Secured			
Stocks with cumulative sinking funds			
3½% First Mortgage Debenture Stock 1956/91	1968	*£12,000	282
4½% Debenture Stock 1979/84	1968	*£30,000	1,365
6% Debenture Stock 1979/84	1968	*£89,000	4,642
6½% Debenture Stock 1987/92	1968	*£45,000	4,935
7½% Debenture Stock 1987/92	1971	*£99,000	10,000
7½% Debenture Stock 1990/95	1972	*£83,000	10,000
Other loans			
4½% Swiss Franc Loan 1972/77	1977 in full		4,808
5½% Dutch Florin Loan 1973/77	1968/77 £230,000 p.a.		2,305
Unsecured			
5½% Redeemable Unsecured Loan Stock	None		1,882
7½% Redeemable Unsecured Loan Stock	None		3,676
Miscellaneous			60
		43,955	42,211
Subsidiary companies			
Secured			
Unsecured			
7% Unsecured Loan Stock 1985/90	1971/90 £813,000 p.a.		16,260
Others			16,584
		84,467	81,789
Repayable, mainly by instalments:			
Within 5 years (includes loans wholly repayable £1,032,000)			10,502
6 - 10 years			19,153
11 - 15 years			13,135
16 - 20 years			16,084
21 - 25 years			12,841
26 - 30 years			6,164
No redemption requirements			6,588
		84,467	

The average rate of interest on all loans is 6.5% p.a.

£'000

	1968	1967
10 Subsidiary companies—Advances and current accounts		
Amounts due from subsidiaries	89,834	71,763
Amounts due to subsidiaries	<u>(10,829)</u>	<u>(11,892)</u>
	<u>79,005</u>	<u>59,871</u>

Subsidiary company borrowings of £8.0 million have been guaranteed or secured by the Parent Company. The principal subsidiaries are shown on pages 18 and 19.

11 Date of accounts

The profit and loss accounts of the Parent Company and all U.K. subsidiaries are for the 52 weeks to 31 March 1968 and the balance sheets are made up to this date.

In order to avoid delay in the completion of the Group Accounts, the financial year of overseas subsidiaries ended on 31 December 1967.

Auditors' Report

To the Members of Reed Paper Group Limited

We have examined the accounts set out on pages 8 to 19. The accounts of some subsidiaries have been audited by other firms.

In our opinion, these accounts comply with the Companies Acts 1948 and 1967 and give a true and fair view of the state of affairs and of the profit so far as concerns members of the Company.

J. H. Champness, Corderoy, Beesly & Co.,

Chartered Accountants

10 St. Swithin's Lane, London, E.C.4.

27 May 1968

Principal Subsidiary Companies: U.K.

Reed Paper & Board (U.K.) Ltd*

Aylesford Paper Mills Ltd*
Alex. Cowan & Sons Ltd*
(incorporated in Scotland)
Darwen Paper Mills Co. Ltd*†
Empire Paper Mills Ltd*
Imperial Paper Mills Ltd*†
Reed Board Mills (Colthrop) Ltd*
Spicers Board Mills Ltd*
Edward Towgood & Sons Ltd*
Reed Paper & Board Sales Ltd*
Spicer-Cowan Ltd

Packaging

Field, Sons & Co. Ltd*†
Reed Corrugated Cases Ltd*
Reed Medway Sacks Ltd*
Reed Polyfilms Ltd*

Service Companies

Reed Buying Services Ltd*
Reed Transport Ltd*

Spicers Ltd*

Stationery Division

Spicers (Stationery) Ltd
Thorburn Bain & Co. Ltd
Trade Loose Leaf Co. Ltd

Converted Products Division

Coated Specialities Ltd
Dispro Ltd
Percy Boyden & Co. Ltd
Spicer-Hallfield Ltd

Other U.K. Companies

Alacra Ltd
Recorder Charts Ltd
Spicers (Export) Ltd

Wall Paper Manufacturers Ltd*

Wallcoverings Division
Shand Kydd Ltd
Wall Paper Manufacturers Ltd*

Sanderson Division
Arthur Sanderson & Sons Ltd
B.S.T. Silks Ltd
Dawes & Co. (Nelson) Ltd

Paint Division

Smith & Walton Ltd
Walpamur Co. Ltd

Merchant & Retail Division

John Line & Sons Ltd
Wall Paper Stores Ltd
Walpamur Distributors Ltd

Technical Division

Micafine Ltd
Rigg Holdings Ltd
Sheldons Engineering Works Ltd
Timperley Engineering (WPM) Ltd

Polycell Division

Briton Brush Co. Ltd
Chadwick Hollins Ltd
Kervit Ceramics Ltd
Polycell Products Ltd

Building Products Division

Burn Bros (London) Ltd
James Ferguson & Sons Ltd
Key Terrain Ltd
L. & P. Plastics Ltd

Principal Subsidiary Companies: Overseas

Australia

Paper Associates Ltd, 81%
 Reed Consolidated Industries Ltd, 81%
 Reed Group Holdings Pty Ltd*
 Reed Paper Products Ltd, 81%
 Walpamur Co. (Australia) Ltd
 Wilson Fabrics & Wallpapers Ltd, 81%

Belgium

Intek SA
 Poly-Crown SA

Canada

Acme Paper Products Co Ltd, 90% ✓
 Anglo-Canadian Pulp & Paper Mills Ltd, 90% ✓
 Anglo Paper Products Ltd, 90% ✓
 Canadian Wallpaper Manufacturers Ltd, 67% *of New Toronto*
 Crown Diamond Paint Co. Ltd, 67%
 Dominion Colour Corporation Ltd, 67%
 Dryden Chemicals Ltd, 90% ✓
 Dryden Paper Co. Ltd, 90% ✓
 Empire Wallpaper & Paint Ltd, 67% *subs*
 General Paint Corporation of Canada Ltd, 67%
 Lignosol Chemicals Ltd, 90%
 Molson Bag & Paper Co. Ltd, 90% ✓
 Reed Paper Group Canada Ltd
 Arthur Sanderson & Sons (Canada) Ltd

France

Polyfilla SARL

Germany

Molto GmbH, 51%

Holland

NV Alabastine Holland
 Polyfilla NV

Irish Republic

Spicer-Cowan (Ireland) Ltd
 Walpamur Co. (Ireland) Ltd

Kenya

Walpamur Co. (Kenya) Ltd

New Zealand

Ashley Wallpapers Ltd, 57%
 Alex. Cowan & Sons (NZ) Ltd
 E. H. Lund & Co. Ltd, 58%
 Polycell Decorating Products Ltd, 51%

Norway

Sande Paper Mill A/S, 51%*

Rhodesia

Phoenix Brushware Co. (Private) Ltd, 55%
 Spicers (CA) (Private) Ltd

South Africa

Alex. Cowan & Sons (SA) (Pty) Ltd
 Polycell Products (SA) (Pty) Ltd, 51%
 Recorder Charts (SA) (Pty) Ltd
 Smith & Walton (SA) (Pty) Ltd
 Spicers (SA) Ltd
 Walpamur Co. (Pty) Ltd

Trinidad

Reed Trinidad Ltd, 65%*

Uganda

Walpamur Co. (Uganda) Ltd

United States of America

Birge Co. Inc, 67%
 Desley Fabrics Inc
 W. H. S. Lloyd Co. Inc
 Montmorency Paper Co. Inc, 90%

* Direct Subsidiaries of Parent

† All Preference Shares held by Parent

All the equity is held by the Group unless otherwise stated

Group statistics 1959–1968

£ million

Year ended 31 March	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Group sales, excluding inter-company sales	249.5	240.4	226.1	149.2	101.5	92.8	95.0	71.4	58.0	52.7
Profit before charging depreciation and taxation	23.1	22.0	27.1	18.8	14.2	12.8	11.8	9.1	7.0	6.0
Depreciation	8.9	8.4	7.7	5.5	4.6	4.3	4.0	2.5	1.8	1.7
Taxation	6.6	6.0	7.2	6.0	4.7	3.9	3.7	2.8	1.9	1.8
Profit after taxation	7.6	7.6	12.2	7.3	4.9	4.6	4.1	3.8	3.3	2.5
Profit attributable to members of the Parent Company	7.1	7.0	11.5	6.9	4.6	4.4	3.9	3.7	3.3	2.5
Dividends	*7.0	*7.0	*9.3	3.8	3.3	2.9	2.9	2.0	1.6	1.4
Retained profits	0.1	0.1	4.2	3.1	1.3	1.5	1.0	1.7	1.7	1.1
Expenditure on properties and plant	9.7	12.5	15.6	9.8	5.1	6.9	8.0	3.6	3.4	2.8
Total assets less current liabilities	258.1	250.5	236.5	148.7	129.7	113.7	101.7	83.4	47.7	46.2
Share capital	58.0	58.0	56.6	39.9	36.7	31.7	30.6	25.8	17.8	17.8
Reserves	99.5	97.0	95.5	67.2	58.0	49.2	48.5	40.1	22.5	20.9
Loan capital	84.5	81.8	65.7	34.2	30.9	28.6	18.3	13.7	7.4	7.5
*Gross following change in UK Company tax structure										
Number of shareholders ('000)	55.7	56.6	55.5	29.9	27.5	22.6	22.5	22.0	16.8	16.3
Number of employees ('000)	52.2	54.0	55.1	27.7	25.7	22.1	22.1	20.3	16.7	15.1

Group sales and profit

	Sales				Profit before taxation			
	1968 £ million	1968 %	1967 £ million	1967 %	1968 £ million	1968 %	1967 £ million	1967 %
United Kingdom companies								
Paper and packaging	136.8	45	139.3	48	9.0	45	8.0	41
Wallpaper, paint and building products	82.0	27	74.4	26	6.0	30	4.9	25
	<u>218.8</u>	<u>72</u>	<u>213.7</u>	<u>74</u>	<u>15.0</u>	<u>75</u>	<u>12.9</u>	<u>66</u>
Overseas companies								
Canada								
Pulp, paper and packaging	32.2	11	34.2	12	2.7	13	4.3	22
Wallpaper, paint and building products	8.8	3	7.2	2	0.7	3	0.5	3
Other								
Paper and packaging	28.0	9	25.3	8	1.3	7	1.2	6
Wallpaper, paint and building products	13.7	5	11.8	4	0.3	2	0.6	3
	<u>301.5</u>	<u>100</u>	<u>292.2</u>	<u>100</u>	<u>20.0</u>	<u>100</u>	<u>19.5</u>	<u>100</u>
Less:								
Inter-company sales	52.0		51.8		—		—	
Interest paid less investment income	—		—		5.8		5.9	
	<u>249.5</u>		<u>240.4</u>		<u>14.2</u>		<u>13.6</u>	

Analysis of Group sales 1968

(excluding inter-company sales)	%
Pulp	2
Printing papers and stationery	19
Newsprint	9
Wrapping papers	9
Packaging products	24
Wallpapers	13
Paint and building products	15
Miscellaneous	9
Total	100

Breakdown of £1 sales 1968

	£	s	d
Raw materials, fuel and power	9	10	
Wages, salaries and pensions	4	10	
Depreciation		8	
Other costs	3	7	
Taxation		6	
Dividends		7	
	1	0	0

